

## Message Text

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ACTION SS-25

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R 311015Z JAN 76

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C O N F I D E N T I A L MADRID 0761

STADIS////////////////////////////////

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E.O. 11652: GDS

TAGS: ECON, EFIN, SP

SUBJECT: DISCUSSION WITH FINANCE MINISTER ON SPANISH ECONOMIC  
SITUATION

REF: MADRID 536

1. DURING JAN 30 COURTESY CALL ON FINANCE MINISTER VILLAR  
MIR, HE REVIEWED WITH ME SHORT TERM SPANISH  
ECONOMIC OUTLOOK AND POINTS HE HAD RAISED IN LETTER TO  
SECRETARY KISSINGER (SEPTTEL).

2. MILLAR MIR SAID HE INTENDED IN LETTER, WHICH MIGHT BE  
CONSIDERED BLUNT AND USUALLY DIRECT, TO PRESENT CLEAR  
PICTURE OF HIS PERCEPTION OF IMMEDIATE MAJOR ECONOMIC  
DIFFICULTIES FACING SPAIN. SPAIN'S CURRENT ACCOUNT  
BALANCE OF PAYMENTS DEFICITS FOR 1974 AND 1975 WERE  
BASICALLY DUE, AND ABOUT EQUAL, TO INCREASED COST OF  
ENERGY IMPORTS. THE SAME WILL BE TRUE FOR 1976. SPAIN  
HAD NOT RESTRICTED OVERALL CONSUMPTION, HE SAID, AND  
RESULT HAS BEEN INFLATION AND AN INCREASING FOREIGN DEBT  
TO MEET BALANCE OF PAYMENTS DEFICITS WITHOUT DRAWING DOWN  
RESERVES. DOMESTIC INFLATION, HE SAID, WAS OF COURSE  
PROBLEM THAT ONLY SPAIN ITSELF CAN DEAL WITH BUT PROBLEM  
FACING COUNTRY FOR 1976 IS HOW TO MEET AMORTIZATION AND  
INTEREST PAYMENTS ON PUBLIC AND PRIVATE EXTERNAL INDEBTED  
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NESS WHICH NOW STANDS AT NEARLY \$9 BILLION AND WILL SURELY

REACH \$11 BILLION BY END OF THE YEAR. VILLAR MIR STRESSED POLITICAL IMPORTANCE OF BEING ABLE TO MAINTAIN ECONOMIC GROWTH DURING THIS DIFFICULT PERIOD OF POLITICAL TRANSITION, GROWING UNEMPLOYMENT, AND LABOR UNREST (THE LAST PARTICULARLY WORRISOME IN CATALONIA AND ASTURIAS). HE SAID THAT SERVICING FOREIGN DEBT OVER TRANSITION PERIOD WAS KEY PROBLEM FOR WHICH SPAIN HOPED TO RECEIVE ASSISTANCE FROM U.S. AND LATER OTHERS. HE ADDED IDEA NOT IN HIS LETTER TO THE SECRETARY, THAT U.S. AND GOS MIGHT BE ABLE TO EXPLORE U.S. WILLINGNESS TO FINANCE SPANISH BILATERAL TRADE DEFICIT WITH U.S. OVER YEARS 1973-1975, WHICH WOULD BE IN THE NEIGHBORHOOD OF 4 BILLION. (THIS WOULD BE ROUGHLY EQUAL TO ONE-THIRD OF \$11 BILLION DEBT MENTIONED IN LETTER.)

3. I INFORMED VILLAR MIR THAT I HAD TRANSMITTED HIS LETTER TO THE SECRETARY AND WOULD BE IN TOUCH AS SOON AS I HAD RECEIVED A RESPONSE. I CAUTIONED HIM THAT IT WAS EXTREMELY DOUBTFUL THAT GOVERNMENT TO GOVERNMENTS LOANS FROM THE U.S. OF ANYWHERE NEAR SUCH MAGNITUDES WERE POSSIBLE. IN RESPONSE TO MY QUESTION AS TO WHETHER SPAIN HAD APPROACHED THE IMF WHICH WAS SPECIFICALLY CREATED TO ADVISE AND ASSIST WITH BALANCE OF PAYMENTS PROBLEMS OF MEMBER COUNTRIES, VILLAR MIR NOTED THAT THE GOS HAD DRAWN ON THE SPECIAL OIL FACILITY BUT THIS WAS SMALL IN RELATION TO SPAIN'S NEEDS. HE SAID THAT SPAIN WAS ALSO TALKING WITH SAUDI ARABIA, BUT THAT THIS WAS DIFFICULT AND WOULD BE INFLUENCED BY U.S. POSITION.

4. ADDITIONAL COMMENTS ON VILLAR MIR LETTER TO THE SECRETARY FOLLOW SEPTTEL.  
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## Message Attributes

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